

Message Text

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PAGE 01 STATE 306840
ORIGIN XMB-04

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TO AMEMBASSY ANTANANARIVO
INFO AMEMBASSY LONDON
AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EGEN, EAIR, MA

SUBJECT: AIR FRANCE LEASE FOR BOEING 747 BEING PURCHASED BY
MADAGASCAR

REFERENCE: ANTANANARIVO 2290

1. FOLLOWING IS TEXT COMMERCIAL TELEX SENT CENTRAL BANK
GOVERNOR RAJOBELINA DECEMBER 16 WITH COPY TO CITICORP,
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LONDON: QUOTE. REURTEL DECEMBER 14 CONCERNING GUARANTEE
NO. 6463, WE LOOK FORWARD TO RECEIPT DRAFT LEASE BETWEEN
AIR MADAGASCAR AND AIR FRANCE WHICH WILL BE AN ESSENTIAL
ELEMENT UNDERLYING LOAN SECURITY. TO ASSIST IN
PREPARATION OF LEASE, WE ARE PLEASED TO SUMMARIZE BELOW
OUR LATEST COMMENTS ON THIS ELEMENT OF THE TRANSACTION.

AIR FRANCE AND AIR MADAGASCAR SHALL ENTER INTO A TEN-YEAR

LEASE AGREEMENT ON TERMS AND CONDITIONS SATISFACTORY TO EXIMBANK PROVIDING FOR THE LEASE OF THE AIRCRAFT BY AIR FRANCE FROM AIR MADAGASCAR. IN THIS CONNECTION, WE WOULD ENVISION THAT SUCH LEASE WOULD NOT PROVIDE FOR ANY MEANS OF TERMINATION, INCLUDING FORCE MAJEURE, DURING THE PERIOD OF PEFCO LOAN. LEASE PAYMENTS BY AIR FRANCE SHOULD

BE ASSIGNED TO LENDERS AND PAID BY AIR FRANCE INTO SPECIAL EXTERNAL ACCOUNT. AS YOU KNOW, THE LENDERS ALSO EXPECT TO RECEIVE A MORTGAGE ON THE AIRCRAFT, ALTHOUGH THIS MAY NOT MATERIALLY AFFECT DRAFTING OF THE LEASE. CONCERNING POSSIBLE LEASE REVISIONS FOR TRAFFIC ADJUSTMENT, WE REFER TO PARAGRAPH 12 OF OUR COMMITMENT LETTER DATED SEPTEMBER 29, 1977. IF BOTH CARRIERS BELIEVE LEASE OPENING AFTER FIVE YEARS FOR THIS PURPOSE IS OVERLY RESTRICTIVE, WE ARE PREPARED TO DISCUSS AN ALTERNATE PROPOSAL, BUT WITH UNDERSTANDING THAT PAYMENTS BY AIR FRANCE UNDER LEASE AFTER TRAFFIC READJUSTMENT MUST ALWAYS APPROXIMATE DEBT SERVICE DUE LENDERS. UNQUOTE.

2. EXIMBANK INFORMED BY BOEING THAT DRAFT LEASE MAY NOT BE AVAILABLE FOR 2 - 3 MONTHS AS TECHNICAL MATTERS RELATING TO CREWS, MAINTENANCE, ETC. MUST FIRST BE IRONED OUT. VANCE

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